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Highlights
1987
Ontario Budget

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The 1987 Ontario Budget:

- Cuts taxes by \$246 million, primarily for the elderly and low-income people;
- Funds essential social and economic priorities in education, health, housing, child care, transportation and high technology;
- Provides important new programs for Northern and Eastern Ontario;
- Delivers needed assistance to our agriculture community;
- Reduces the deficit by \$331 million;
- And, contains no tax increases.

Economic Outlook

Ontario is enjoying its fifth straight year of economic expansion, with continuing high levels of capital investment and job creation. Over the past two years, the real gross provincial product (GPP) has grown by 9.4 per cent and capital spending by business has increased by more than 30 per cent. Ontario gained 312,000 net new jobs in the past two years -- one of North America's fastest rates of employment growth.

The outlook for 1987 is for a 3.5 per cent increase in the GPP, and the creation of 125,000 new jobs.

Expanding Our Economic Potential

The Budget contains many measures aimed at expanding the province's economic potential.

Technology Development

The Premier's Council on Technology has assisted the Government in setting rigorous guidelines for the activities financed by the \$1 billion Technology Fund. The Government has allocated \$100 million in 1987-88 for technology fund expenditures. Decisions respecting the Centres of Excellence will be announced over the next few months.

Improving the Quality of Education

Provincial and local spending on primary and secondary schools will total almost \$9 billion this year, \$47 million per school day. The Budget provides for capital grants for school facilities of \$147 million this year, and commits a further \$226 million for 1988-89.

Skills Training and Youth Employment

The Futures program, initiated in 1985, has already helped more than 50,000 young people to upgrade their education and work skills.

The Futures program will be strengthened by assisting workers under the age of 25 to return to school on a part-time basis.

The Budget also allocates \$5 million this year, and \$14 million next year, to retrain older workers who have been laid off.

Colleges and Universities

Operating grants for colleges and universities are increased by 11.5 per cent over last year, and \$100 million will be provided for capital needs.

The Ontario Student Assistance program will receive an additional \$25 million, and an interest relief plan will be introduced that links repayment of student loans to each graduate's actual income. Tuition fees for 1,000 highly qualified graduate students from outside Canada will be reduced to the domestic student level, at a cost of \$5 million.

Enhancing Regional Economic Growth

The Budget proposes various measures to assist specific regions and economic sectors.

Northern Ontario

The Budget provides for Northern Development Fund expenditures of \$28 million this year to support community adjustment, northern job creation and development of business and tourism.

The relocation to Northern Ontario of several major Government offices will add more than 1,200 permanent jobs and an annual payroll of \$40 million to the region's economy.

The Budget provides \$107 million for northern transportation in 1987-88, a 32 per cent increase over last year.

A Northern Ontario Heritage Fund is established, with an initial allocation of \$30 million, to promote diversification and long-term economic growth.

The Budget also proposes a three-year mining profits tax exemption for new mines, at an estimated annual cost to the Province of \$5 million.

Eastern Ontario

The Budget introduces a new \$25 million five-year community economic development program, for Eastern Ontario. It will provide funding to coordinate business-related assistance programs and help finance business support services and capital assistance.

Agriculture

Funding for the Ministry of Agriculture and Food will total \$563 million in 1987-88 -- a 72 per cent increase since the Government took office. Among the initiatives announced in the Budget Statement:

- A three-year \$40 million Land Stewardship program to encourage sound land management and environmental protection;
- A new \$50 million Farm Management, Safety and Repairs program. It will provide grants of up to \$2,500 per farmer to encourage farm safety, improve farm management techniques, and assist in the purchase of machinery repairs and grain storage facilities. All farmers with a minimum of \$12,000 in gross farm production income will be eligible for the program;

- The Budget also proposes changes to the farm tax rebate program, replacing the current 60 per cent rebate on farm property with a 100 per cent rebate on farm land and outbuildings and eliminating the current requirement to pre-pay property taxes. Farm residences will be taxed separately as farm property.

Planning for Growth

The Budget includes special measures to help municipalities cope with growth pressures and to protect the quality of urban life.

- The capital budget for school facilities is set at \$147 million in 1987-88 and \$226 million in 1988-89;
- The Budget announces a \$290 million initiative, over the next three years, to upgrade and expand the transportation system;
- For 1987-88, municipal road grants will increase by 9.5 per cent. Capital grants for municipal transit systems in 1987-88 will be \$177 million, and a further \$100 million will be available for service improvements and expansion of the GO transit system.

Housing

Total funding for the Ministry of Housing will increase by 34 per cent in 1987-88. This year, the Ministry of Housing will begin the next phase of its Assured Housing Strategy that will in total provide a further \$220 million in capital support for the construction of more affordable rental housing. An additional \$50 million will be provided annually to support the operating costs of these initiatives.

Health

The Budget provides more than \$11 billion for health care programs, an amount equivalent to more than \$1,200 annually for each Ontario resident.

Additional funding this year will improve the quality of care in nursing homes, and enhance other health services.

Environment

The Ministry of the Environment's budget has been set at \$418 million this year, a 16 per cent increase over 1986-87. Among the environmental items contained in the Budget were:

- An extra \$49 million in capital funding this year for waste management and water and sewer projects;
- Up to \$85 million, to be matched by the federal government, to assist Ontario's three largest industrial sources of air pollution to reduce acid gas emissions.

Equity for all Citizens

The Budget expands and improves on a number of social programs, providing:

- An additional \$26 million for child-care initiatives this year, raising the Government's total child-care commitment to \$185 million;
- A \$50 monthly increase in Gains-D benefits for disabled Ontarians, starting June 30, 1987, at a cost of \$54 million annually;

- An increase in the maximum Ontario tax grants for seniors from \$500 to \$600. Provincial tax grant support for seniors affects 570,000 households, and will total \$385 million this year;
- \$100 million over six years to maintain and upgrade municipal and charitable homes for the aged;
- An increase in the basic property tax credit, from \$180 to \$230, providing \$85 million in additional benefits to 1.8 million Ontario residents;
- The Ontario tax reduction program will be enriched by \$10 million, reducing or eliminating 1988 Ontario income tax for an additional 160,000 people;
- The minimum income level for OHIP premium assistance will be raised to benefit an additional 40,000 families in 1988.

The Retail Sales Tax exemption for prepared meals will be raised from \$2.00 to \$4.00, effective June 1, 1987.

Federal-Provincial Issues

In respect of federal tax reform, the Treasurer stated:

"I believe the current tax system is failing the tests of fairness, simplicity and taxpayer acceptance. The proliferation of tax preferences has made the system complex, confusing, and inequitable. With the right changes, the Canadian tax system can be fairer, more competitive and less intrusive into business and personal affairs."

"Tax reform must recognize that the tax system and the social assistance system need to be harmonized. Tax reform should not preclude the introduction of a guaranteed annual income."

The Treasurer indicated that he would assess the impact on Ontario's economic forecast and fiscal plan, and spending and tax policies, following the release of federal proposals.

Fiscal Management

The 1986-87 deficit was reduced from a planned level of \$1.6 billion to \$1.3 billion. For 1987-88, revenue is expected to increase by 8.5 per cent and the spending plan is held to an increase of 7.1 per cent, for a further deficit reduction to \$980 million. The 1987-88 operating account is essentially balanced.

Enquiries

General enquiries about the 1987 Ontario Budget should be directed to:

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